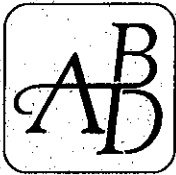


**LEWIS CASS INTERMEDIATE SCHOOL DISTRICT**  
Cassopolis, Michigan

Report of Financial Statements  
June 30, 2008

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# ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants

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August 22, 2008

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Lewis Cass Intermediate School District  
Cassopolis, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lewis Cass Intermediate School District, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Lewis Cass Intermediate School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lewis Cass Intermediate School District as of June 30, 2008 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2008, on our consideration of Lewis Cass Intermediate School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages i through ix and pages 21 and 22, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Board of Education  
August 22, 2008

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the primary government of Lewis Cass Intermediate School District's basic financial statements. The additional information on pages 23 to 36 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT  
Management Discussion and Analysis  
For the Year Ended June 30, 2008

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Our discussion and analysis of Lewis Cass Intermediate School District's financial performance, a GASB 34 requirement, provides an overview of the District's financial activities for the fiscal year ended June 30, 2008. This financial model was adopted by the Governmental Accounting Standards Board (GASB) in *Statement No. 34 Basic Financial Statements-and Management's discussion and Analysis-for State and Local Governments*, issued in June, 2000. This is the fifth year the District has been required to report under the provisions of GASB 34.

Lewis Cass Intermediate School District is located in Cass County and portions of Berrien, St. Joseph, and Van Buren Counties in the State of Michigan. The District serves the four local K-12 districts located within its boundaries.

Generally accepted account principles (GAAP), according to GASB 34, require the reporting of two types of financial statements: ***Fund Financial Statements and District-Wide Financial Statements***.

### **Fund Financial Statements:**

The fund level financial statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with the current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual". The District's ***major*** instructional and instructional support activities are reported in two funds: the General Fund, and the Special Education Fund. The former other special revenue fund, Community Service, was closed effective June 30, 2007. Additional activities are reported in ***nonmajor*** governmental funds including: the School Lunch (Food Service) Fund, Fiduciary Funds (Trust Fund and Agency Fund) and the Capital Projects Fund.

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT  
Management Discussion and Analysis  
For the Year Ended June 30, 2008

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In the fund level financial statements purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of long-term debt is recorded as a financial resource. The current year's payments of principal and interest on debt are recorded as expenditures. Future debt obligations are not recorded.

**Major Governmental Funds Budgeting and Operating Highlights**

**General Fund:**

The District's expenses and outgoing transfers in the General Fund exceeded revenues and incoming transfers by \$221,510. The resulting decrease in General Fund equity is more than the original budget estimate of a \$101,115 deficit, and less than the final budget amendment of a \$316,122 deficit. The ending fund equity balance is \$2,067,139. Actual revenues of \$2,303,059 were \$169,683 below the original budget and \$5,671 below the final budget amendment.

The actual expenditures and outgoing transfers of \$2,524,569 were \$49,288 below the original budget and \$100,283 below the final budget amendment.

**Special Education Fund:**

The total special education revenues and incoming transfers of \$6,988,390 were \$108,506 above the original budgeted amount and \$66,321 below the final budget amendment. Total expenses and outgoing transfers of \$6,767,038 were \$250,238 below the original budget and \$125,966 below the final amended budget.

Special education fund equity increased by \$221,352 compared with the original budgeted amount of a deficit \$137,392 and a final budgeted surplus of \$161,707.

**Community Service Fund:**

The grants funding the Community Service Fund programs ended effective September 30, 2006 and were not renewed thereafter. The fund was closed out effective June 30, 2007 with a fund balance of zero.

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT  
Management Discussion and Analysis  
For the Year Ended June 30, 2008

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A summary of the major governmental funds' operating results is shown in Table 1.

**Table 1**  
**Major Governmental Funds Budget &**  
**Actual Revenues and Expenditures**

	Original Budget	Final Budget June 2008	Final Actual 6/30/08	Variance Actual & Original Budget	Variance Actual & Final Budget
<b>General Fund</b>					
Revenues	2,472,742	2,308,730	2,303,059	-6.86%	-0.25%
Expenditures	2,573,857	2,624,852	2,524,569	-1.91%	-3.82%
Surplus (Deficit)	(101,115)	(316,122)	(221,510)	119.07%	-29.93%
<b>Special Education Fund</b>					
Revenues	6,879,884	7,054,711	6,988,390	1.58%	-0.94%
Expenditures	7,017,276	6,893,004	6,767,038	-3.57%	-1.83%
Surplus (Deficit)	(137,392)	161,707	221,352	-261.11%	36.88%

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT  
Management Discussion and Analysis  
For the Year Ended June 30, 2008

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**District Wide Financial Statements:**

**Statement of Net Assets**

The District wide financial statements are full accrual statements. They report all of the District's assets and liabilities, both short-term and long-term, regardless if they are "currently available" or not. Capital assets and long-term obligations of the District are reported in the **Statement of Net Assets** of the District wide financial statements. This report presents a point in time "balance sheet" of assets and liabilities, both current and long-term, and the resulting net assets of the District for June 30, 2008 compared with June 30, 2007 (see Table 2).

**Table 2**

	June 30, 2007	June 30, 2008
<b>Assets</b>		
Current Assets	4,384,999	4,571,127
Capital Assets	4,756,888	4,985,098
Less accumulated depreciation	<u>(1,631,723)</u>	<u>(1,841,065)</u>
Capital assets, net book value	3,125,165	3,144,033
Total Assets	<u><u>7,510,164</u></u>	<u><u>7,715,160</u></u>
<b>Liabilities</b>		
Current Liabilities	786,337	920,421
Long-term liabilities	438,402	359,969
Total Liabilities	<u>1,224,739</u>	<u>1,280,390</u>
<b>Net Assets</b>		
Capital assets, net book value	3,125,165	3,144,033
Capital assets, related debt	<u>(236,951)</u>	<u>(236,951)</u>
Total capital assets, net of related debt	2,888,214	2,907,082
Restricted for Capital Projects	0	77,039
Unrestricted	<u>3,397,211</u>	<u>3,450,649</u>
Total Net Assets	6,285,425	6,434,770
Total Liabilities and Net Assets	<u><u>7,510,164</u></u>	<u><u>7,715,160</u></u>



LEWIS CASS INTERMEDIATE SCHOOL DISTRICT  
Management Discussion and Analysis  
For the Year Ended June 30, 2008

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**Statement of Change in Net Assets (Statement of Activities)**

The **Statement of Change in Net Assets**, also referred to as the Statement of Activities, indicates the results of operations for the fiscal year. It summarizes the total revenues and expenses, and the resulting change in net assets of the District. Table 3 describes the District wide result of operations for the fiscal years ending June 30, 2007 and June 30, 2008.

**Table 3**  
**Statement of Change in Net Assets**  
**(Statement of Activities)**

	June 30, 2007	June 30, 2008
<b>Revenues</b>		
Program Revenues		
Charges for Services	902,377	927,027
Federal and State Categorical Grants	3,736,788	2,792,811
General Revenues		
Property Taxes	2,799,536	3,010,626
State Sources	2,373,083	2,409,137
Other	464,567	213,273
Total Revenues	10,276,351	9,352,874
<b>Expenses</b>		
Instruction	2,171,734	2,307,935
Support Services	5,385,170	5,434,864
Community Services	1,468,485	362,531
Food Service	78,333	90,715
Interest and Fees on Long-Term Debt	10,440	11,850
Transfers to Other Districts	1,073,374	771,668
Unallocated Depreciation	203,747	223,966
Total Expenses	10,391,283	9,203,529
<b>Increase in Net Assets</b>	(114,932)	149,345
<b>Beginning Net Assets</b>	6,400,357	6,285,425
<b>Ending Net Assets</b>	6,285,425	6,434,770

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT  
Management Discussion and Analysis  
For the Year Ended June 30, 2008

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**Analysis of Financial Position:**

As illustrated in Table 3, the District's net assets increased by \$149,345 during the fiscal year ended June 30, 2008. The overall condition of the combined funds remains extremely strong for the District. The general fund and the special education fund ended the year with a combined net operating income \$238,349 greater than originally budgeted.

The *general fund* realized a \$221,510 decrease in fund equity. The ending fund balance of \$2,067,139 represents approximately 82% of current operating expenses. This compares with a fund balance of 62% of operating expenses as of June 30, 2004, the first year of GASB 34 reporting. This is a very favorable position that will permit the fund to operate without concern of available cash or the need to borrow during the 2008-2009 fiscal year.

The *special education fund* operated with a \$221,352 surplus during the 2007-2008 fiscal year. The ending fund balance of \$1,536,053 represents approximately 23% of current operating expenses. While there is no educational industry standard for fund equity, it is generally agreed that a fund equity approximating 15% of current operating expenses should provide adequate fiscal protection making this a favorable position. The final bonded debt payment on the Dowagiac, MI building was made during the 2006-2007 fiscal year so there was no debt obligation during 2007-2008.

The *community service* fund operated on a flow-through basis for various grants. The District operated as a subcontractor for Michigan Works and other agencies. The final Michigan Works grants ended September 30, 2006. All programs were closed out and reconciled. With the termination of these programs there was not a separate Community Service Fund for the 2007-2008 fiscal year.

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT  
Management Discussion and Analysis  
For the Year Ended June 30, 2008

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## **Capital Assets and Debt Administration:**

### **Capital Assets**

Under the provisions of GASB 34, the District reports capital assets and accumulated depreciation. These were first reported for the fiscal year ended June 30, 2004. For all assets acquired prior to July 1, 2003 assets were reported at appraised original cost or, if available, at actual cost. The year of acquisition was identified and accumulated depreciation through June 30, 2003 was calculated. For assets acquired beginning July 1, 2003 assets are recorded at actual cost. The June 30, 2004 through June 30, 2008 financial reports summarize the beginning amounts plus acquisitions, less disposals for each fiscal year, and also recognize additional depreciation for those years.

Acquisitions and disposal of District assets for fiscal year 2007-2008 were recorded and net depreciation in the amount of \$223,966 was recognized for the year. Total capital asset additions for the year were \$245,351. Assets disposed of or adjusted during the year totaled \$17,141. At the end of fiscal year 2008, the District had \$4.925 million invested in land, buildings, site improvements, vehicles, furnishings and equipment. Of this amount \$1.841 million in depreciation has been taken over the years. As described above, these amounts are recognized in *the District-Wide Financial Statements but not in the Fund Financial Statements*.

### **Long-Term Debt**

Long term debt associated with the capital assets totaled \$236,951 as of June 30, 2008. This debt represents the District's share of the 1998 "Durant" bond issue. Durant bonds are not a direct liability of the District and are retired via payments by the State of Michigan, however for state accounting purposes school districts reflect a portion of the total state debt on their financial reports. There are currently no local debt obligations.

**LEWIS CASS INTERMEDIATE SCHOOL DISTRICT**  
**Management Discussion and Analysis**  
**For the Year Ended June 30, 2008**

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**Table 4**  
**Capital Assets and Long-Term Debt**

	June 30, 2007	June 30, 2008
<b>Capital Assets</b>		
Land	60,000	60,000
Buildings & additions	3,338,137	3,375,943
Site improvements	254,225	312,004
Equipment and furniture	251,481	268,065
Vehicles	853,045	969,086
Total Capital Assets	<u>4,756,888</u>	<u>4,985,098</u>
 Total Accumulated Depreciation	 (1,631,722)	 (1,841,065)
 Net Capital Assets	 <u>3,125,166</u>	 <u>3,144,033</u>
 <b>Long-Term Capital Debt</b>		
Building bonds	0	0
Limited obligation Durant bonds	236,951	236,951
Total Long-Term Capital Debt	<u>236,951</u>	<u>236,951</u>
 Total Capital assets Net of Related Debt	 <u><u>2,888,215</u></u>	 <u><u>2,907,082</u></u>

**Economic Factors and Next Year's Budgets:**

The economy in the state of Michigan continues to lag behind the national trend toward recovery. Section 81, the basic state aid funding the intermediate school district's general fund operations is expected to increase by only 1% or \$3,900, not enough to match inflationary pressures. The strong fund equity position the District maintains provides the financial base necessary to operate without major concern of overall fiscal deficits. The preliminary 2008-2009 general fund and special education fund budgets indicate a combined deficit of \$408,000 or approximately 4.3% of the total \$9.5 million of expenses. This is an acceptable projection given the strength of the District's combined beginning fund balances.

LEWIS CASS INTERMEDIATE SCHOOL DISTRICT  
Management Discussion and Analysis  
For the Year Ended June 30, 2008

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Another significant budgetary factor is the inclusion of a \$77,000 transfer from the General Fund to the Capital Projects Fund in each of the 2007-2008 and 2008-2009 fiscal years. These transfers are made as a strategic component of the District's long range financial plan. The last of ten annual \$57,800 Durant settlement payments was received in November 2007. These payments were earmarked for capital improvements and the current transfers to the Capital Projects Fund are intended to protect the ongoing capital improvement program.

It is estimated that state funding for the Special Education Fund will be approximately \$100,000 more than the amount included in the preliminary 2008-2009 budget. This should result in a nearly balanced budget in this fund.

**Requests for Information:**

This report is designed to provide a general overview of the Lewis Cass Intermediate School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be directed to:

Richard S. DeVos  
Chief Financial Officer  
Lewis Cass Intermediate School District  
61682 Dailey Road  
Cassopolis, MI 49031-9648

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## BASIC FINANCIAL STATEMENTS

**LEWIS CASS INTERMEDIATE SCHOOL DISTRICT****STATEMENT OF NET ASSETS**

June 30, 2008

	<b>GOVERNMENTAL ACTIVITIES</b>
<b>ASSETS</b>	
CURRENT ASSETS:	
Cash	\$ 1,470,588
Investments	2,140,346
Property taxes receivable	20,996
Accounts receivable	1,089
Prepaid expenses	7,187
Due from other governmental units	<u>930,921</u>
TOTAL CURRENT ASSETS	<u>4,571,127</u>
NONCURRENT ASSETS:	
Capital assets	4,985,098
Less accumulated depreciation	<u>(1,841,065)</u>
TOTAL NONCURRENT ASSETS	<u>3,144,033</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 7,715,160</u></b>
<b>LIABILITIES AND NET ASSETS</b>	
CURRENT LIABILITIES:	
Accounts payable	\$ 74,311
Accrued salaries & withholdings	600,168
Accrued retirement payable	57,031
Accrued interest	23,700
Deferred revenue	133,036
Current portion of long term debt	32,175
Current portion of compensated absences	<u></u>
TOTAL CURRENT LIABILITIES	<u>920,421</u>
NONCURRENT LIABILITIES:	
Noncurrent portion of long term debt	204,776
Noncurrent portion of compensated absences	<u>155,193</u>
TOTAL NONCURRENT LIABILITIES	<u>359,969</u>
NET ASSETS:	
Invested in capital assets, net of related debt	2,907,082
Restricted for capital projects	77,039
Unrestricted	<u>3,450,649</u>
TOTAL NET ASSETS	<u>6,434,770</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 7,715,160</u></b>

The accompanying notes are an integral part of the financial statements.

**LEWIS CASS INTERMEDIATE SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Assets
Governmental activities:				
Instruction	\$ 2,307,935	\$ 96,661	\$ 551,673	\$ (1,659,601)
Support services	5,434,864	386,642	2,206,694	(2,841,528)
Community services	362,531		-	(362,531)
Food services	90,715	9,510	34,444	(46,761)
Transfers to other districts	771,668	434,214		(337,454)
Interest & fees on long-term debt	11,850			(11,850)
Unallocated depreciation	223,966			(223,966)
Total governmental activities	<u>\$ 9,203,529</u>	<u>\$ 927,027</u>	<u>\$ 2,792,811</u>	(5,483,691)
General revenues:				
Property taxes, levied for general purposes				3,010,626
State sources				2,409,137
Investment revenue				109,904
Donations				-
Miscellaneous				103,369
Total general revenue				<u>5,633,036</u>
Change in net assets				149,345
Net assets, beginning of year				<u>6,285,425</u>
Net assets, end of year				<u>\$ 6,434,770</u>

The accompanying notes are an integral part of the financial statements.



**LEWIS CASS INTERMEDIATE SCHOOL DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2008

	<b>GENERAL FUND</b>	<b>SPECIAL REVENUE EDUCATION</b>
<b><u>ASSETS</u></b>		
CURRENT ASSETS:		
Cash & cash equivalents	\$ 1,134,808	\$ 323,775
Investments	757,802	1,305,505
Accounts receivable	-	-
Due from other funds	-	-
Due from other governments	311,185	619,736
Prepaid expenditures	5,912	1,275
<b>TOTAL ASSETS</b>	<b><u>\$ 2,209,707</u></b>	<b><u>\$ 2,250,291</u></b>
 <b><u>LIABILITIES AND FUND BALANCE</u></b>		
LIABILITIES:		
Accounts payable	\$ 12,500	\$ 61,274
Accrued salaries & withholdings	31,184	562,420
Accrued retirement payable	149	56,243
Advances		
Deferred revenue	98,735	34,301
<b>TOTAL LIABILITIES</b>	<b><u>142,568</u></b>	<b><u>714,238</u></b>
FUND BALANCE:		
Reserved for donations		120,742
Unreserved:		
Designated for compensated absences	22,352	132,841
Undesignated	2,044,787	1,282,470
<b>TOTAL FUND BALANCE</b>	<b><u>2,067,139</u></b>	<b><u>1,536,053</u></b>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b><u>\$ 2,209,707</u></b>	<b><u>\$ 2,250,291</u></b>

The accompanying notes are an integral part of the financial statements.

OTHER NONMAJOR GOVERNMENTAL FUNDS		TOTAL GOVERNMENTAL FUNDS	
\$	12,005	\$	1,470,588
	77,039		2,140,346
	1,089		1,089
	-		-
	-		930,921
	-		7,187
<b>\$</b>	<b>90,133</b>	<b>\$</b>	<b>4,550,131</b>

\$	537	\$	74,311
	6,564		600,168
	639		57,031
	-		-
	-		133,036
	7,740		864,546
			120,742
			155,193
	82,393		3,409,650
	82,393		3,685,585
<b>\$</b>	<b>90,133</b>	<b>\$</b>	<b>4,550,131</b>

**LEWIS CASS INTERMEDIATE SCHOOL DISTRICT**  
Reconciliation of the Governmental Funds Balance Sheet to the  
Statement of Net Assets  
June 30, 2008

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 3,685,585</b>
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	
The cost of the capital assets is	4,985,098
Accumulated depreciation is	(1,841,065)
Long term liabilities are not due and payable in the current period and are not reported in the funds	
Bonds and notes payable	(236,951)
Compensated absences	(155,193)
Accrued interest is not included as a liability in governmental funds; it is recorded when paid	(23,700)
Balance of taxes receivable at 6/30/08 less allowance for doubtful accounts	<u>20,996</u>
<b>Net Assets of Governmental Activities</b>	<b><u><u>\$ 6,434,770</u></u></b>

The accompanying notes are an integral part of the financial statements.

**LEWIS CASS INTERMEDIATE SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2008**

	<b>GENERAL FUND</b>	<b>SPECIAL REVENUE EDUCATION</b>
REVENUES:		
Local sources	\$ 466,259	\$ 3,227,104
State sources	514,568	1,889,937
Federal sources	966,647	1,791,720
TOTAL REVENUES	<u>1,947,474</u>	<u>6,908,761</u>
EXPENDITURES:		
Instruction	73,795	2,234,140
Supporting services	1,518,482	4,207,991
Community services	260,311	102,220
Food service activities	-	-
TOTAL EXPENDITURES	<u>1,852,588</u>	<u>6,544,351</u>
EXCESS OF REVENUES OVER EXPENDITURES	94,886	364,410
OTHER FINANCING SOURCES (USES):		
Operating transfers in	-	1,000
Operating transfers out	(78,000)	(45,000)
Transfers from other districts	355,585	78,629
Transfer to other districts	(593,981)	(177,687)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(316,396)</u>	<u>(143,058)</u>
EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES)	(221,510)	221,352
FUND BALANCE - BEGINNING OF YEAR	<u>2,288,649</u>	<u>1,314,701</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 2,067,139</u></u>	<u><u>\$ 1,536,053</u></u>

The accompanying notes are an integral part of the financial statements.

OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 9,770	\$ 3,703,133
4,632	2,409,137
34,444	2,792,811
48,846	8,905,081
	2,307,935
	5,726,473
	362,531
90,715	90,715
90,715	8,487,654
(41,869)	417,427
122,000	123,000
	(123,000)
	434,214
	(771,668)
122,000	(337,454)
80,131	79,973
2,262	3,605,612
\$ 82,393	\$ 3,685,585

**LEWIS CASS INTERMEDIATE SCHOOL DISTRICT**  
Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
June 30, 2008

**Total net change in fund balances--governmental funds** **\$ 79,973**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets are allocated over their useful lives as depreciation:

Depreciation expense	(223,966)
Capital outlay	245,351

Gains on sale of fixed assets are recorded in the statement of activities; in the governmental funds the gross proceeds are recorded:

Difference between book loss and gross proceeds	(2,517)
---	---------

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable at the beginning of the year	11,850
Accrued interest payable at the end of the year	(23,700)

Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:

Accrued revenue at the beginning of the year	(4,900)
Accrued revenue at the end of the year	20,996

Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Accrued absences at the beginning of the year	201,451
Accrued absences at the end of the year	<u>(155,193)</u>

<b>Change in net assets of governmental activities</b>	<b><u>\$ 149,345</u></b>
--	--------------------------

The accompanying notes are an integral part of the financial statements.

**LEWIS CASS INTERMEDIATE SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**COMBINING BALANCE SHEET**  
June 30, 2008

	<u>PRIVATE PURPOSE TRUST FUND</u>	<u>AGENCY FUNDS</u>	<u>TOTALS</u>
<b><u>ASSETS</u></b>			
Cash	\$ 26,924	\$ 24,649	\$ 51,573
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 26,924</u></b>	<b><u>\$ 24,649</u></b>	<b><u>\$ 51,573</u></b>
 <b><u>LIABILITIES AND FUND BALANCE</u></b>			
Liabilities:			
Due to other organizations		\$ 24,649	\$ 24,649
Fund Balance:			
Reserved for programs	\$ 26,924	-	26,924
<b><u>TOTAL LIABILITIES AND FUND BALANCE</u></b>	<b><u>\$ 26,924</u></b>	<b><u>\$ 24,649</u></b>	<b><u>\$ 51,573</u></b>

The accompanying notes are an integral part of the financial statements.

**LEWIS CASS INTERMEDIATE SCHOOL DISTRICT**  
**NONEXPENDABLE TRUST FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGE IN FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2008**

REVENUES:	
Interest	<u>\$ 1,009</u>
EXPENDITURES:	
Other	<u>4,614</u>
EXCESS (DEFICIT) OF REVENUE OVER EXPENDITURES	(3,605)
FUND BALANCE - JULY 1	<u>30,529</u>
FUND BALANCE - JUNE 30	<u><u>\$ 26,924</u></u>

The accompanying notes are an integral part of the financial statements.



**LEWIS CASS INTERMEDIATE SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The basic financial statements of the Lewis Cass Intermediate School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

**REPORTING ENTITY:**

The District receives funding from local, state, and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in GASB Statements #14 and #39, nor is the District a component unit of another entity.

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has largely been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use, or directly benefit from goods or services by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the Intermediate School District and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District utilizes restricted resources to finance their respective, qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, investment income and other revenue.) The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**LEWIS CASS INTERMEDIATE SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS, (Continued):**

**Governmental Funds:**

Governmental funds are those funds through which most school district functions are typically financed. The acquisition, use, and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following **major** governmental funds:

The *General Fund* is the District's primary administration fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *Special Revenue Fund* accounts for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects). The District's **major** special revenue fund is the Special Education Fund.

The District reports the following **nonmajor** governmental funds:

The *Special Revenue Fund* that is considered **nonmajor** is the School Service Fund.

The *Capital Project Fund* accounts for the receipt of debt proceeds transfers from other funds and other revenue and the acquisition of fixed assets.

**Fiduciary Funds:**

Fiduciary funds account for assets held by the district in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the district under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *Private Purpose Trust Fund* is accounted for using the accrual method of accounting. Private purpose trust funds account for assets where interest payments may be spent for student scholarships. These funds are not reported on the District's financial statements. The District's trust fund currently holds assets donated to the District.

The *Agency Fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION:**

**Accrual Method:**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they were levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

**LEWIS CASS INTERMEDIATE SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION, (Continued):**

**Modified Accrual Method:**

Governmental funds are used to account for the District's general government activities. Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

**State Revenue:**

The State of Michigan utilizes a foundation grant approach that provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2008, the foundation allowance was based on the pupil membership counts taken in February and September of 2007.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes, which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2007 to August 2008. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue.

**OTHER ACCOUNTING POLICIES:**

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40 *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value and determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the districts intend to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

**LEWIS CASS INTERMEDIATE SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):**

**OTHER ACCOUNTING POLICIES, (Continued):**

2. Property Taxes.

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2008, the District levied the following amounts per \$1,000 of assessed valuation:

<b><u>FUND</u></b>	<b><u>MILLS</u></b>
General Fund	.2040
Special Education Fund	2.0429

3. Inventories and Prepaid Items.

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventory consists of food products. Inventories for commodities are recorded as revenue when utilized. Reported inventories are equally offset by a fund balance reserve that indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. Short-term Interfund Receivables/Payables.

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the Governmental Funds Balance Sheet.

5. Capital Assets.

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as followed:

Buildings and additions	50 years
Furniture and other equipment	5 – 15 years

The District's policy is to capitalize individual amounts exceeding \$3,000.

**LEWIS CASS INTERMEDIATE SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):**

**OTHER ACCOUNTING POLICIES, (Continued):**

6. Compensated Absences.

Accumulated vacation and sick pay amounts which are expected to be liquidated with expendable available resources (generally sixty days) are recorded in the governmental funds using the modified accrual basis of accounting.

It is the policy of the District to allow for accumulation of unused sick days. Upon separation, accumulated sick days become vested after 10 years of accumulated employment and six months notice. They are payable at one-half of the employees current rate of pay for support staff and then the prevailing per diem substitute salary for administrative and professional staff for a maximum of 180 days.

7. Unemployment Insurance.

The District reimburses the Michigan Employment Security Agency (MESA) for the actual amount of unemployment benefits disbursed by the MESA on behalf of the District. Billings received for amounts paid by the MESA through June 30 are accrued.

8. Deferred Revenues:

The unexpended balance of various federal and/or state categorical grants is carried forward as deferred revenue until the period in which eligible expenditures are incurred. Other monies collected in advance are also deferred.

9. Long-term obligations.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Use of Estimates.

The process of preparing basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**LEWIS CASS INTERMEDIATE SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 2 - STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY:**

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Annual appropriated budgets are adopted for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The District does not maintain a formalized encumbrance accounting system.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget and actual (GAAP basis) - general and special funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Violations, if any, in the major funds are noted in the required supplementary information section.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. The budget as presented, has been amended; Supplemental appropriations were made during the year with the last one approved prior to June 30.

**LEWIS CASS INTERMEDIATE SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 3 - CASH AND INVESTMENTS – CREDIT RISK:**

As of June 30, 2008, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Standard &amp; Poor's Rating</u>	<u>%</u>
MILAF External Investment pool – MIMAX	<u>\$2,140,346</u>	<u>0.0027</u>	AAAm	<u>100%</u>
Total fair value	<u>\$2,140,346</u>			
Portfolio weighted average maturity		<u>0.0027</u>		

1 day maturity equals 0.0027, one year equals 1.00

The district voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2008, the fair value of the District's investments is the same as the value of the pool shares.

**Interest rate risk.** In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by: structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

**Concentration of credit risk.** The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**Custodial credit risk – deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2008, \$3,881,555 of the District's bank balance of \$3,981,555 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department of agent, but not in the District's name.

**Custodial credit risk – investments.** For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer by limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

**Foreign currency risk.** The District is not authorized to invest in investments which have this type of risk.

**LEWIS CASS INTERMEDIATE SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 3 - CASH AND INVESTMENTS – CREDIT RISK, (Continued):**

The above amounts are reported in the financial statements as follows:

Cash Private Purpose Trust Fund	\$ 26,924
Cash Agency Fund	24,649
Cash – District wide	1,470,588
Investments – District wide	<u>2,140,346</u>
 Total	 <u><u>\$ 3,662,507</u></u>

**NOTE 4 - CAPITAL ASSETS:**

The following is a summary of changes in the District's capital assets:

	<b>BALANCE</b> <b><u>July 1, 2007</u></b>	<b><u>ADDITIONS</u></b>	<b><u>DISPOSALS</u></b>	<b>BALANCE</b> <b><u>June 30, 2008</u></b>
Assets not being depreciated – land	\$ 60,000			\$ 60,000
Depreciable capital assets:				-
Buildings & Improvements	3,592,362	\$ 100,359	\$ 4,774	3,687,947
Equipment	251,481	21,391	4,807	268,065
Transportation	<u>853,045</u>	<u>123,601</u>	<u>7,560</u>	<u>969,086</u>
Subtotal Depreciable Capital Assets	4,696,888	245,351	17,141	4,925,098
Accumulated Depreciation:				-
Buildings & Improvements	1,089,981	76,402	3,581	1,162,802
Office & Instructional Equipment	140,652	29,111	4,807	164,956
Transportation	<u>401,090</u>	<u>118,453</u>	<u>6,236</u>	<u>513,307</u>
Total accumulated Depreciation	1,631,723	223,966	14,624	1,841,065
Net depreciable capital assets:	<u>3,065,165</u>	<u>21,385</u>	<u>2,517</u>	<u>3,084,033</u>
Net Capital Assets	<u><u>\$3,125,165</u></u>	<u><u>\$ 21,385</u></u>	<u><u>\$ 2,517</u></u>	<u><u>\$ 3,144,033</u></u>

Depreciation for the fiscal year ended June 30, 2008 amounted to \$223,966. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

**NOTE 5 – LONG-TERM DEBT:**

The following is a summary of long-term obligations for the District for the year ended June 30, 2008:

Limited obligation (Durant) bond, due in annual installments of \$40,591 - \$40,595 through May 2013, with interest of 4.76%.	\$236,951
Accumulated compensated absences	<u>155,193</u>
Total long-term debt	<u><u>\$392,144</u></u>



**LEWIS CASS INTERMEDIATE SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 5 - LONG-TERM DEBT, (Continued):**

**DEBT SERVICE REQUIREMENTS:**

The annual requirements to amortize long-term debt outstanding as of June 30, 2008 are as follows:

	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2009	\$ 32,175	\$ 8,424	\$ 40,599
2010	33,705	6,892	40,597
2011	95,331	26,457	121,788
2012	36,990	3,606	40,596
2013	38,750	1,845	40,595
Total 2009-2013	236,951	<u>\$ 47,224</u>	284,175
Accumulated Compensated Absences	<u>155,193</u>		<u>155,193</u>
TOTAL	<u>\$ 392,144</u>		<u>\$439,368</u>

**CHANGES IN LONG-TERM DEBT:**

Following is a summary of long-term debt transactions of the district for the year ended June 30, 2008:

	<u>ACCUMULATED SICK PAY</u>	<u>GENERAL OBLIGATION</u>
Long-term debt – July 1, 2007	\$ 201,451	\$ 236,951
Net increase in accumulated compensated absences	7,262	
Deductions:		
Sick pay paid out	(53,520)	
Durant bonds paid	<u>-</u>	<u>-</u>
Total	<u>\$ 155,193</u>	<u>\$ 236,951</u>

Total interest expense amounted to \$11,850 for the year ended June 30, 2008.

**NOTE 6 - OPERATING LEASES:**

The District has entered into non-cancelable leases for an office in Benton Harbor and three copiers. The following schedule summarizes the minimum future payments for the years ended June 30:

2009	\$20,796
2010	19,596
2011	19,596
2012	14,697
2013	-

**NOTE 7 - RISK MANAGEMENT:**

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (worker's compensation) as well as medical benefits provided to employees. The School District has purchased commercial insurance for all claims, except vision and dental; the District is self-insured for vision and dental claims. Settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

At June 30, 2008, the liability for vision and dental claims that have been incurred through the end of the fiscal year, including both the claims that have been reported as well as those that have not been reported, is insignificant.

**LEWIS CASS INTERMEDIATE SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 8 - EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN:**

Plan Description – The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPERS provides retirement survivor and disability benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan, 48909-7671 or by calling (800) 381-5111.

Funding Policy – Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; and 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate interest is posted to member accounts on July 1<sup>st</sup> on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2007 were 17.74% of payroll through September 30, 2007 and 16.72% effective October 1, 2007 through June 30, 2008. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributions to MPERS for the years ended June 30, 2008, 2007, and 2006, were \$648,188, \$684,813, and \$931,010, respectively, and were equal to the required contribution for each year.

The District is not responsible for the payment of retirement benefits that is the responsibility of the State of Michigan.

Other Post-employment Benefits – Also within the MPERS system, retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The MPERS has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. A significant portion of the premium is paid by the MPERS with the balance deducted from the monthly pension.

**NOTE 9 – TRANSFERS**

Transfers were made between funds to supplement program costs or in the case of the Capital Projects Fund, to set aside funds for future capital outlay.

	<u>Transfers To</u>	<u>Transfers From</u>
General Fund		\$ 77,000
	-	1,000
Special Education Fund	\$ 45,000	
	1,000	-
Capital Projects Fund	77,000	-
Hot Lunch Fund	-	45,000
Total	<u>\$ 123,000</u>	<u>\$ 123,000</u>

## REQUIRED SUPPLEMENTARY INFORMATION

**LEWIS CASS INTERMEDIATE SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<b>BUDGET</b>		<b>2008</b>	<b>VARIANCE- WITH FINAL BUDGET- FAVORABLE (UNFAVORABLE)</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>ACTUAL</b>	
<b>REVENUE:</b>				
Local sources	\$ 485,166	\$ 454,517	\$ 466,259	\$ 11,742
State sources	587,901	521,074	514,568	(6,506)
Federal sources	1,004,469	996,404	966,647	(29,757)
Other revenue				-
<b>TOTAL REVENUE</b>	<b>2,077,536</b>	<b>1,971,995</b>	<b>1,947,474</b>	<b>(24,521)</b>
<b>EXPENDITURES:</b>				
Adult education	99,450	86,460	73,795	12,665
Pupil services	169,052	198,874	193,295	5,579
Instructional staff services	573,400	522,096	518,868	3,228
General administration	342,466	353,680	340,498	13,182
Business	171,066	205,146	190,508	14,638
Building services	230,850	227,901	208,212	19,689
Information management	83,160	72,456	67,101	5,355
Community services	274,948	265,099	260,311	4,788
<b>TOTAL EXPENDITURES</b>	<b>1,944,392</b>	<b>1,931,712</b>	<b>1,852,588</b>	<b>79,124</b>
<b>EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENDITURES</b>	<b>133,144</b>	<b>40,283</b>	<b>94,886</b>	<b>54,603</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer from other funds				-
Transfer from other districts	395,206	336,735	355,585	18,850
Transfers to other districts	(627,465)	(615,140)	(593,981)	21,159
Transfers to other funds	(2,000)	(78,000)	(78,000)	-
Sale of school property				-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(234,259)</b>	<b>(356,405)</b>	<b>(316,396)</b>	<b>40,009</b>
<b>EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENDITURES</b>	<b>(101,115)</b>	<b>(316,122)</b>	<b>(221,510)</b>	<b>94,612</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>2,288,649</b>	<b>2,288,649</b>	<b>2,288,649</b>	<b>-</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 2,187,534</b>	<b>\$ 1,972,527</b>	<b>\$ 2,067,139</b>	<b>\$ 94,612</b>

**LEWIS CASS INTERMEDIATE SCHOOL DISTRICT**

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

SPECIAL EDUCATION FUND

FOR THE YEAR ENDED JUNE 30, 2008

	<u>BUDGET</u>			<b>VARIANCE- WITH FINAL BUDGET- FAVORABLE (UNFAVORABLE)</b>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
REVENUE:				
Local sources	\$ 3,260,083	\$ 3,267,696	\$ 3,227,104	\$ (40,592)
State sources	1,823,422	1,887,425	1,889,937	2,512
Federal sources	1,761,379	1,823,790	1,791,720	(32,070)
<b>TOTAL REVENUE</b>	<u>6,844,884</u>	<u>6,978,911</u>	<u>6,908,761</u>	<u>(70,150)</u>
EXPENDITURES:				
Instruction	2,398,187	2,243,438	2,234,140	9,298
Pupil services	1,195,038	1,275,051	1,255,368	19,683
Instructional staff services	15,000	12,503	12,238	265
Program administration	332,640	404,257	395,699	8,558
General administration	102,316	111,426	101,555	9,871
Building administration	87,930	85,350	83,514	1,836
Business	257,470	190,703	174,935	15,768
Building services	404,470	473,118	464,788	8,330
Transportation	1,648,262	1,649,287	1,621,576	27,711
Information management and EOSD	99,505	103,229	98,318	4,911
Community services	103,458	103,642	102,220	1,422
<b>TOTAL EXPENDITURES</b>	<u>6,644,276</u>	<u>6,652,004</u>	<u>6,544,351</u>	<u>107,653</u>
<b>EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENDITURES</b>	<u>200,608</u>	<u>326,907</u>	<u>364,410</u>	<u>37,503</u>
OTHER FINANCING SOURCES (USES):				
Transfer from other funds	1,000	1,000	1,000	-
Transfer from other districts	34,000	74,800	78,629	3,829
Transfers to other funds	(126,000)	(45,000)	(45,000)	-
Transfers to other districts	(247,000)	(196,000)	(177,687)	18,313
Sale of fixed assets				-
<b>TOTAL OTHER FINANCING SOURCES SOURCES</b>	<u>(338,000)</u>	<u>(165,200)</u>	<u>(143,058)</u>	<u>22,142</u>
<b>EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENDITURES</b>	<u>(137,392)</u>	<u>161,707</u>	<u>221,352</u>	<u>59,645</u>
<b>FUND BALANCE - JULY 1</b>	<u>1,314,701</u>	<u>1,314,701</u>	<u>1,314,701</u>	<u>-</u>
<b>FUND BALANCE - JUNE 30</b>	<u>\$ 1,177,309</u>	<u>\$ 1,476,408</u>	<u>\$ 1,536,053</u>	<u>\$ 59,645</u>

## ADDITIONAL INFORMATION

**LEWIS CASS INTERMEDIATE SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUND TYPES**  
June 30, 2008

	<u>DEBT RETIREMENT</u>	<u>SCHOOL SERVICE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>TOTAL</u>
<b><u>ASSETS</u></b>				
Cash & cash equivalent		\$ 12,005		\$ 12,005
Investments			\$ 77,039	77,039
Accounts receivable		1,089		1,089
Due from other governments		-		-
		<u>-</u>		<u>-</u>
<b>TOTAL ASSETS</b>	<b><u>\$ -</u></b>	<b><u>\$ 13,094</u></b>	<b><u>\$ 77,039</u></b>	<b><u>\$ 90,133</u></b>
<b><u>LIABILITIES &amp; FUND BALANCE</u></b>				
LIABILITIES:				
Accounts payable		\$ 537		\$ 537
Accrued salaries & withholdings		6,564		6,564
Accrued retirement payable		639		639
		<u>7,740</u>		<u>7,740</u>
<b>TOTAL LIABILITIES</b>		<u>7,740</u>		<u>7,740</u>
FUND BALANCES				
Undesignated		5,354	\$ 77,039	82,393
		<u>5,354</u>	<u>77,039</u>	<u>82,393</u>
<b>TOTAL FUND BALANCE</b>		<u>5,354</u>	<u>77,039</u>	<u>82,393</u>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b><u>\$ -</u></b>	<b><u>\$ 13,094</u></b>	<b><u>\$ 77,039</u></b>	<b><u>\$ 90,133</u></b>

**LEWIS CASS INTERMEDIATE SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGE IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUND TYPES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>DEBT RETIREMENT</u>	<u>SCHOOL SERVICE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>TOTAL</u>
REVENUE:				
Local sources	\$ -	\$ 9,731	\$ 39	\$ 9,770
State sources	-	4,632		4,632
Federal sources	-	34,444		34,444
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL REVENUE	-	48,807	39	48,846
	<hr/>	<hr/>	<hr/>	<hr/>
EXPENDITURES:				
Food services		90,715		90,715
Principle redemption	-			-
Interest	-			-
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	-	90,715	-	90,715
	<hr/>	<hr/>	<hr/>	<hr/>
EXCESS (DEFICIT) OF REVENUE OVER EXPENDITURES	<hr/>	<hr/>	<hr/>	<hr/>
	-	(41,908)	39	(41,869)
	<hr/>	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)				
Operating transfers in - other funds	-	45,000	77,000	122,000
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	-	45,000	77,000	122,000
	<hr/>	<hr/>	<hr/>	<hr/>
EXCESS (DEFICIT) OF REVENUE & OTHER SOURCES OVER EXPENDITURES & OTHER USES	<hr/>	<hr/>	<hr/>	<hr/>
	-	3,092	77,039	80,131
	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCE - Beginning of Year	-	2,262	-	2,262
	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCE - End of Year	<hr/>	<hr/>	<hr/>	<hr/>
	\$ -	\$ 5,354	\$ 77,039	\$ 82,393



**LEWIS CASS INTERMEDIATE SCHOOL DISTRICT**  
**GENERAL FUND SCHEDULE OF REVENUE - BUDGET AND ACTUAL**  
**YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b>LOCAL SOURCES</b>			
Current property tax	\$ 272,579	\$ 271,756	\$ (823)
Miscellaneous revenue			
Penalties & interest on delinquent taxes	26	35	9
Miscellaneous taxes	2,790	2,790	-
Earnings on investments & deposits	75,000	70,367	(4,633)
Other revenues			
Rent	72,350	72,349	(1)
Miscellaneous	31,772	48,962	17,190
<b>TOTAL LOCAL SOURCES</b>	<u>454,517</u>	<u>466,259</u>	<u>11,742</u>
<b>STATE SOURCES</b>			
General	389,550	389,552	2
State restricted other	131,524	125,016	(6,508)
<b>TOTAL STATE SOURCES</b>	<u>521,074</u>	<u>514,568</u>	<u>(6,506)</u>
<b>FEDERAL SOURCES</b>			
Medicaid Administrative Outreach	59,000	33,488	(25,512)
Perkins	700,401	700,401	-
Family Reunification	214,090	209,845	(4,245)
Tech Prep	22,913	22,913	-
Other	-	-	-
<b>TOTAL FEDERAL SOURCES</b>	<u>996,404</u>	<u>966,647</u>	<u>(29,757)</u>
<b>OTHER FINANCING SOURCES</b>			
Incoming transfer - Other districts	336,735	355,585	18,850
Incoming transfer - Other funds	-	-	-
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>336,735</u>	<u>355,585</u>	<u>18,850</u>
<b>SALE OF FIXED ASSETS</b>			-
<b>TOTAL REVENUE &amp; OTHER SOURCES</b>	<u>\$ 2,308,730</u>	<u>\$ 2,303,059</u>	<u>\$ (5,671)</u>

**LEWIS CASS INTERMEDIATE SCHOOL DISTRICT**  
**GENERAL FUND SCHEDULE OF EXPENDITURES -**  
**BUDGET AND ACTUAL**  
**YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION:			
Professional salaries	\$ 39,000	\$ 36,539	\$ 2,461
Non-Professional salaries	15,000	11,779	3,221
Insurance benefits	-	-	-
Retirement	9,030	5,492	3,538
FICA	4,135	3,679	456
Purchased services	5,000	2,795	2,205
Supplies	14,295	13,511	784
<b>TOTAL INSTRUCTION</b>	<u>86,460</u>	<u>73,795</u>	<u>12,665</u>
SUPPORTING SERVICES:			
Instructional Support			
Professional salaries	226,498	227,850	(1,352)
Nonprofessional salaries	35,360	34,264	1,096
Insurance benefits	22,195	24,881	(2,686)
Retirement	38,848	38,149	699
FICA	25,800	25,419	381
Purchased services	169,595	164,975	4,620
Supplies	3,800	3,330	470
<b>Total Instructional Support</b>	<u>522,096</u>	<u>518,868</u>	<u>3,228</u>
Student Services			
Professional Salaries	44,152	44,679	(527)
Nonprofessional salaries	57,118	56,077	1,041
Insurance benefits	50,078	48,762	1,316
Retirement	16,980	16,967	13
FICA	7,750	7,451	299
Purchased services	11,789	10,498	1,291
Supplies	11,007	8,861	2,146
Capital Outlay	-	-	-
<b>Total Student Services</b>	<u>198,874</u>	<u>193,295</u>	<u>5,579</u>
General Administration:			
Professional salaries	112,652	112,635	17
Non-Professional salaries	29,397	29,396	1
Insurances	71,066	69,973	1,093
Retirement	30,250	29,254	996
FICA	8,800	8,777	23
Purchased services	84,100	74,641	9,459
Supplies	16,915	15,822	1,093
Capital Outlay	500	-	500
Other	-	-	-
<b>Total General Administration</b>	<u>353,680</u>	<u>340,498</u>	<u>13,182</u>

**LEWIS CASS INTERMEDIATE SCHOOL DISTRICT**  
**GENERAL FUND SCHEDULE OF EXPENDITURES -**  
**BUDGET AND ACTUAL**  
**YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
Operation & Maintenance:			
Professional salaries	\$ 6,500	\$ 6,496	\$ 4
Non-Professional salaries	29,600	29,566	34
Insurance benefits	14,500	14,434	66
Retirement	5,550	5,562	(12)
FICA	4,720	4,718	2
Purchased services	64,018	54,744	9,274
Supplies	25,000	18,601	6,399
Capital Outlay - including Durant	78,013	74,091	3,922
Other	-	-	-
Total Operation & Maintenance	<u>227,901</u>	<u>208,212</u>	<u>19,689</u>
Business Services:			
Professional salaries	53,976	53,971	5
Non-Professional salaries	11,325	11,799	(474)
Insurance benefits	8,790	8,793	(3)
Retirement	8,900	8,987	(87)
FICA & unemployment	31,905	29,392	2,513
Purchased services	81,150	70,781	10,369
Supplies	6,600	5,957	643
Capital Outlay	1,000	-	1,000
Other	1,500	828	672
Total Business Services	<u>205,146</u>	<u>190,508</u>	<u>14,638</u>
Other Support Services			
Non-Professional salaries	13,036	13,036	-
Insurance benefits	3,450	3,433	17
Retirement	1,900	1,909	(9)
FICA	870	867	3
Purchased services	28,200	25,456	2,744
Supplies	20,000	20,175	(175)
Capital outlay	5,000	2,225	2,775
Total Other Support Services	<u>72,456</u>	<u>67,101</u>	<u>5,355</u>
TOTAL SUPPORTING SERVICES	<u>1,580,153</u>	<u>1,518,482</u>	<u>61,671</u>

**LEWIS CASS INTERMEDIATE SCHOOL DISTRICT**  
**GENERAL FUND SCHEDULE OF EXPENDITURES -**  
**BUDGET AND ACTUAL**  
**YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
COMMUNITY SERVICES:			
Professional salaries	\$ 156,193	\$ 161,126	-
Non-Professional salaries	6,918	7,290	\$ (372)
Insurance benefits	22,436	21,019	1,417
Retirement	25,952	26,723	(771)
FICA	15,459	15,962	(503)
Purchased services	30,988	23,498	7,490
Supplies	7,153	4,693	2,460
Capital outlay	-	-	-
TOTAL COMMUNITY SERVICES	<u>265,099</u>	<u>260,311</u>	<u>4,788</u>
OTHER USES - OPERATING TRANSFERS			
Outgoing transfers - other funds	78,000	78,000	-
Operating transfers - other districts	<u>615,140</u>	<u>593,981</u>	<u>21,159</u>
TOTAL OTHER USES & TRANSFERS	<u>693,140</u>	<u>671,981</u>	<u>21,159</u>
TOTAL EXPENDITURES & OTHER FINANCING USES	<u>\$ 2,624,852</u>	<u>\$ 2,524,569</u>	<u>\$ 100,283</u>

**LEWIS CASS INTERMEDIATE SCHOOL DISTRICT**  
**SPECIAL EDUCATION FUND**  
**SCHEDULE OF REVENUE - BUDGET & ACTUAL**  
June 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b>LOCAL SOURCES</b>			
Current Property Tax	\$ 2,735,548	\$ 2,722,774	\$ (12,774)
Miscellaneous Revenue			
Penalties & interest on delinquent taxes	268	348	80
Earnings on investments & deposits	43,000	39,277	(3,723)
Medicaid School Based Services	390,000	373,213	(16,787)
Wraparound Program	44,300	37,741	(6,559)
Donations	-	-	-
Miscellaneous	54,580	53,751	(829)
<b>TOTAL LOCAL SOURCES</b>	<u>3,267,696</u>	<u>3,227,104</u>	<u>(40,592)</u>
<b>STATE SOURCES</b>			
Special education	1,873,425	1,873,428	3
Mich. Rehab. Expansion grant	14,000	16,509	2,509
<b>TOTAL STATE SOURCES</b>	<u>1,887,425</u>	<u>1,889,937</u>	<u>2,512</u>
<b>FEDERAL SOURCES</b>			
IDEA Flowthrough	1,488,260	1,459,021	(29,239)
IDEA Preschool Incentive	50,825	50,825	-
Infant & Toddler Formula Grants	96,145	95,949	(196)
Medicaid Transportation Services	16,000	19,019	3,019
State Initiated	58,000	52,995	(5,005)
Transition Specialist	50,000	50,000	-
Safe Schools	-	188	188
Wraparound Program	64,560	63,723	(837)
<b>TOTAL FEDERAL SOURCES</b>	<u>1,823,790</u>	<u>1,791,720</u>	<u>(32,070)</u>
<b>OTHER FINANCING SOURCES</b>			
Incoming transfer - Other districts	74,800	78,629	3,829
Incoming transfer - Other funds	1,000	1,000	-
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>75,800</u>	<u>79,629</u>	<u>3,829</u>
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUE &amp; OTHER SOURCES</b>	<u><u>\$ 7,054,711</u></u>	<u><u>\$ 6,988,390</u></u>	<u><u>\$ (66,321)</u></u>

**LEWIS CASS INTERMEDIATE SCHOOL DISTRICT**  
**SPECIAL EDUCATION FUND**  
**SCHEDULE OF EXPENDITURES - BUDGET & ACTUAL**  
June 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b>INSTRUCTION:</b>			
Professional salaries	\$ 607,055	\$ 616,343	\$ (9,288)
Non-Professional salaries	570,458	567,195	3,263
Insurance benefits	531,095	521,462	9,633
FICA	90,280	90,236	44
Retirement	184,100	186,444	(2,344)
Purchased services	88,450	89,036	(586)
Supplies	22,000	18,950	3,050
Other	-	-	-
Transfers to other districts	150,000	144,474	5,526
<b>TOTAL INSTRUCTION</b>	<u>2,243,438</u>	<u>2,234,140</u>	<u>9,298</u>
<b>SUPPORTING SERVICES:</b>			
Instructional Support			
Professional salaries	203,400	206,251	(2,851)
Non-Professional salaries	42,590	42,328	262
Insurance benefits	53,200	52,310	890
FICA	19,320	19,505	(185)
Retirement	41,150	41,269	(119)
Purchased services	38,250	27,664	10,586
Supplies	18,850	18,610	240
<b>Total Instructional Support</b>	<u>416,760</u>	<u>407,937</u>	<u>8,823</u>
Student Services			
Professional salaries	689,142	690,901	(1,759)
Non-Professional salaries	15,500	19,166	(3,666)
Insurance benefits	168,387	165,487	2,900
FICA	49,777	50,029	(252)
Retirement	115,147	113,978	1,169
Purchased services	218,832	202,883	15,949
Supplies	18,266	12,924	5,342
Capital outlay	-	-	-
<b>Total Student Services</b>	<u>1,275,051</u>	<u>1,255,368</u>	<u>19,683</u>
General Administration			
Professional salaries	33,000	33,260	(260)
Non-Professional salaries	29,396	29,396	-
Insurance benefits	5,650	5,714	(64)
FICA	3,250	3,000	250
Retirement	8,330	8,375	(45)
Purchased services	30,300	20,794	9,506
Supplies	1,500	1,016	484
<b>Total General Administration</b>	<u>111,426</u>	<u>101,555</u>	<u>9,871</u>

**LEWIS CASS INTERMEDIATE SCHOOL DISTRICT**  
**SPECIAL EDUCATION FUND**  
**SCHEDULE OF EXPENDITURES - BUDGET & ACTUAL**  
June 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
School Administration			
Professional salaries	-	-	-
Non-Professional salaries	\$ 36,000	\$ 36,004	\$ (4)
Insurance benefits	20,000	19,395	605
FICA	2,750	2,750	-
Retirement	6,100	6,063	37
Purchased services	5,000	5,402	(402)
Supplies	15,500	13,900	1,600
Total School Administration	<u>85,350</u>	<u>83,514</u>	<u>1,836</u>
Operations & Maintenance			
Professional salaries	26,000	25,983	17
Non-Professional salaries	81,375	79,490	1,885
Insurance benefits	40,860	40,768	92
FICA	10,810	10,832	(22)
Retirement	15,340	15,678	(338)
Purchased services	118,233	115,297	2,936
Supplies	98,500	98,444	56
Capital outlay	82,000	78,296	3,704
Total Operations & Maintenance	<u>473,118</u>	<u>464,788</u>	<u>8,330</u>
Transportation			
Professional salaries	32,480	32,479	1
Non-professional salaries	742,177	757,173	(14,996)
Insurance benefits	296,500	296,501	(1)
FICA	68,000	67,679	321
Retirement	124,000	124,436	(436)
Purchased services	92,450	78,862	13,588
Supplies	191,000	161,870	29,130
Capital outlay	102,380	102,376	4
Miscellaneous	300	200	100
Total Transportation	<u>1,649,287</u>	<u>1,621,576</u>	<u>27,711</u>
Business Administration			
Professional salaries	50,294	50,294	-
Non-Professional salaries	6,000	5,776	-
Insurance benefits	4,015	4,015	-
FICA	3,760	3,700	60
Retirement	7,504	7,431	73
Purchased services	100,730	89,690	-
Supplies	8,400	5,733	2,667
Miscellaneous	10,000	8,296	1,704
Total Business Administration	<u>190,703</u>	<u>174,935</u>	<u>15,768</u>

**LEWIS CASS INTERMEDIATE SCHOOL DISTRICT**  
**SPECIAL EDUCATION FUND**  
**SCHEDULE OF EXPENDITURES - BUDGET & ACTUAL**  
June 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES (Continued):			
Other Support Services			
Professional salaries	\$ 37,066	\$ 32,664	\$ 4,402
Non-Professional salaries	20,294	20,293	1
Insurance benefits	12,465	12,445	20
FICA	4,340	4,040	300
Retirement	9,620	8,882	738
Purchased services	8,794	8,642	152
Supplies	10,650	11,352	(702)
Other	-	-	-
Total Other Support Services	<u>103,229</u>	<u>98,318</u>	<u>4,911</u>
TOTAL SUPPORTING SERVICES	<u>4,304,924</u>	<u>4,207,991</u>	<u>96,933</u>
COMMUNITY SERVICES			
Professional salaries	40,094	38,108	1,986
Insurance benefits	6,696	8,890	(2,194)
FICA	3,745	3,301	444
Retirement	7,224	6,477	747
Purchased services	44,133	44,516	(383)
Supplies	1,750	928	822
Other	-	-	-
TOTAL COMMUNITY SERVICES	<u>103,642</u>	<u>102,220</u>	<u>1,422</u>
OTHER FINANCING USES - OPERATING TRANSFERS			
Outgoing Transfer:			
Other funds	45,000	45,000	-
Other districts	<u>196,000</u>	<u>177,687</u>	<u>18,313</u>
TOTAL OTHER FINANCING USES	<u>241,000</u>	<u>222,687</u>	<u>18,313</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 6,893,004</u>	<u>\$ 6,767,038</u>	<u>\$ 125,966</u>



**LEWIS CASS INTERMEDIATE SCHOOL DISTRICT**  
**SCHOOL SERVICE FUND**  
**SCHEDULE OF REVENUES & EXPENDITURES -**  
**BUDGET & ACTUAL**  
June 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
LOCAL SOURCES			
Breakfast/Lunch	\$ 8,750	\$ 9,510	\$ 760
Sale of fixed assets	-	-	-
Earnings on investments	225	221	(4)
TOTAL LOCAL SOURCES	<u>8,975</u>	<u>9,731</u>	<u>756</u>
STATE SOURCES			
State restricted	<u>4,352</u>	<u>4,632</u>	<u>280</u>
FEDERAL SOURCES			
Federal restricted	30,500	32,409	1,909
Commodity revenue	-	2,035	2,035
TOTAL FEDERAL SOURCES	<u>30,500</u>	<u>34,444</u>	<u>3,944</u>
TOTAL REVENUES	<u>43,827</u>	<u>48,807</u>	<u>4,980</u>
EXPENDITURES - SUPPORTING SERVICES			
Non-Professional salaries	24,100	24,259	(159)
Insurance	14,045	14,058	(13)
FICA	5,910	5,941	(31)
Purchased services	2,268	2,583	(315)
Supplies	39,300	41,125	(1,825)
Capital outlay	3,204	2,749	455
TOTAL EXPENDITURES	<u>88,827</u>	<u>90,715</u>	<u>(1,888)</u>
EXCESS (DEFICIT) OF REVENUE OVER EXPENDITURES	(45,000)	(41,908)	6,868
OTHER FINANCING SOURCES (USES)			
Operating transfers in - Special Education	<u>45,000</u>	<u>45,000</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>45,000</u>	<u>45,000</u>	<u>-</u>
EXCESS (DEFICIT) OF REVENUE OVER EXPENDITURES	<u>\$ -</u>	<u>\$ 3,092</u>	<u>\$ 3,092</u>

**LEWIS CASS INTERMEDIATE SCHOOL DISTRICT**  
**FIDUCIARY FUNDS**  
**COMBINING BALANCE SHEET**  
June 30, 2008

	<u>PRIVATE PURPOSE TRUST FUND</u>	<u>AGENCY FUNDS</u>	<u>TOTALS</u>
<b><u>ASSETS</u></b>			
Cash	\$ 26,924	\$ 24,649	\$ 51,573
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 26,924</u></b>	<b><u>\$ 24,649</u></b>	<b><u>\$ 51,573</u></b>
 <b><u>LIABILITIES AND FUND BALANCE</u></b>			
Liabilities:			
Due to other organizations		\$ 24,649	\$ 24,649
Fund Balance:			
Reserved for programs	\$ 26,924	-	26,924
<b><u>TOTAL LIABILITIES AND FUND BALANCE</u></b>	<b><u>\$ 26,924</u></b>	<b><u>\$ 24,649</u></b>	<b><u>\$ 51,573</u></b>

**LEWIS CASS INTERMEDIATE SCHOOL DISTRICT**  
**ALL AGENCY FUNDS**  
**COMBINING SCHEDULE OF CHANGES IN**  
**ASSETS & LIABILITIES**  
June 30, 2008

	<u>BALANCE</u> <u>7/1/2007</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>6/30/2008</u>
<b><u>STUDENT ACTIVITY FUND</u></b>				
<b>ASSETS</b>				
Cash & Cash equivalent				
Investments	<u>\$ 10,409</u>	<u>\$ 32,688</u>	<u>\$ 18,448</u>	<u>\$ 24,649</u>
<b>LIABILITIES</b>				
Due to school groups	<u>\$ 10,409</u>	<u>\$ 32,688</u>	<u>\$ 18,448</u>	<u>\$ 24,649</u>

**LEWIS CASS INTERMEDIATE SCHOOL DISTRICT**  
**SCHEDULE OF BONDED DEBT - 1998 ISSUE**  
June 30, 2008

<u>May 15</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL PRINCIPAL &amp; INTEREST</u>
2009	\$ 32,175	\$ 8,424	\$ 40,599
2010	33,705	6,892	40,597
2011	95,331	26,457	121,788
2012	36,990	3,606	40,596
2013	38,750	1,845	40,595
	<u>\$ 236,951</u>	<u>\$ 47,224</u>	<u>\$ 284,175</u>

The above bond issue bears interest at 4.76%. The bond proceeds were used for erecting, furnishing and equipping additions to the existing school buildings and developing and improving the site.

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the School District (the "State Aid Payments"). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid payments as security for this bond and the State Aid payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid payments. The School District, as requested by the Authority, hereby irrevocably authorizes the payment of the State Aid payments directly to the Authority's depository.

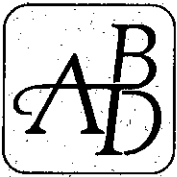
**LEWIS CASS INTERMEDIATE SCHOOL DISTRICT**

Additional Reports Required By  
OMB Circular A-133

Year Ended June 30, 2008

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# ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

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August 22, 2008

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education  
Lewis Cass Intermediate School District  
Cassopolis, MI

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lewis Cass Intermediate School District as of and for the year ended June 30, 2008, which collectively comprise Lewis Cass Intermediate School District's basic financial statements of the District's primary government and have issued our report thereon dated August 22, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered Lewis Cass Intermediate School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lewis Cass Intermediate School District's internal control over financial reporting.

Accordingly, we do not express an opinion on the effectiveness of Lewis Cass Intermediate School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described as 2008-1 in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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Office locations in Caro,  
Cass City & Marlette

To the Board of Education  
August 22, 2008

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

**COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether Lewis Cass Intermediate School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

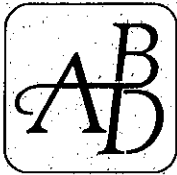
We also noted certain matters that we have reported to management of Lewis Cass Intermediate School District in a separate letter dated August 22, 2008.

This report is intended for the information and use of the Board of Education, management, others within the entity, U.S. Department of Education, Michigan Department of Education and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

**ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS**





# ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

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---

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Robert L. Tuckey, CPA

August 22, 2008

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education  
Lewis Cass Intermediate School District  
Cassopolis, MI

**COMPLIANCE**

We have audited the compliance of Lewis Cass Intermediate School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Lewis Cass Intermediate School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Lewis Cass Intermediate School District's management. Our responsibility is to express an opinion on Lewis Cass Intermediate School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lewis Cass Intermediate School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Lewis Cass Intermediate School District's compliance with those requirements.

In our opinion, Lewis Cass Intermediate School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

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Office locations in Caro,  
Cass City & Marlette

To the Board of Education  
August 22, 2008

#### **INTERNAL CONTROL OVER COMPLIANCE**

The management of Lewis Cass Intermediate School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Lewis Cass Intermediate School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the Lewis Cass Intermediate School District's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

#### **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lewis Cass Intermediate School District as of and for the year ended June 30, 2008, and have issued our report thereon dated August 22, 2008. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Lewis Cass Intermediate School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

**ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS**

**LEWIS CASS INTERMEDIATE SCHOOL DISTRICT, CARO, MICHIGAN**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE 6/30/2007	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE 6/30/2008
U.S. DEPARTMENT OF EDUCATION: Passed through Michigan Dept. of Education:	84.048	073520/7012-19 083520/8012-1	\$ 708,944	\$ 286,983	\$ 708,944	\$ 286,983	\$ 700,401	\$ 192,682
			700,401	-	-	507,719	700,401	192,682
			1,409,345	286,983	708,944	794,702		
Vocational Education - Vocational Basic	84.181	071340/190 081340/190	98,410	11,199	\$ 96,329	13,280	2,081	-
			96,045	-	-	90,122	93,868	3,746
			194,455	11,199	96,329	103,402	95,949	3,746
State Initiative Competitive	84.027*	070490TS 080490TS 070480E0SD 080480E0SD	60,000	1,000	60,000	1,000	-	-
			50,000	-	-	50,000	50,000	-
			50,000	10,470	50,000	10,470	-	-
			50,000	-	-	42,660	50,000	7,340
			210,000	11,470	110,000	104,130	100,000	7,340
Service Provider Self-Review (SPSR) Part B Service Provider Self-Review (SPSR) Part C	84.027	080440-0708 080440-0708A	4,000	-	-	358	358	-
			4,000	-	-	1,887	2,637	750
			8,000	-	-	2,245	2,995	750
Handicapped - IDEA Handicapped - IDEA Handicapped - IDEA	84.027*	804500708 704500607 604500506	1,453,477	-	-	1,071,127	1,278,401	207,274
			1,436,480	239,380	1,255,860	394,482	180,620	25,518
			1,405,392	17,193	1,405,392	17,193	-	-
			4,295,349	256,573	2,661,252	1,482,802	1,459,021	\$ 232,792
Preschool Incentive Preschool Incentive	84.173*	070460-0607 080460-0708	50,806	10,050	50,806	10,050	-	-
			50,825	-	-	42,708	50,825	8,117
			101,631	10,050	50,806	52,758	50,825	8,117
Total Passed Through Michigan Department of Education			6,218,780	576,275	3,627,331	2,540,039	2,409,191	445,427

**LEWIS CASS INTERMEDIATE SCHOOL DISTRICT, CARO, MICHIGAN**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE 6/30/2007	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE 6/30/2008
<b>U.S. DEPARTMENT OF EDUCATION:</b>								
Total Passed through Berrien County ISD								
Safe & Drug-Free Schools	84.186	082860-0708	\$ 188	-	-	\$ 188	\$ 188	-
			188	-	-	188		-
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<b>6,218,968</b>	<b>\$ 576,275</b>	<b>\$ 3,627,331</b>	<b>2,540,227</b>	<b>2,409,379</b>	<b>\$ 445,427</b>
<b>U.S. DEPARTMENT OF AGRICULTURE:</b>								
Passed through Michigan Dept. of Education:								
National School Breakfast	10.553		11,062	645		11,062	10,813	396
National School Lunch	10.555		22,061	1,055		22,061	21,597	591
			33,123	1,700		33,123	32,410	987
Commodity Supplemental Food Program:								
Entitlement commodities	10.550		2,035	-		2,035	2,035	-
			2,035	-		2,035		-
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<b>35,158</b>	<b>1,700</b>	<b>-</b>	<b>35,158</b>	<b>34,445</b>	<b>987</b>
<b>U.S. DEPARTMENT OF LABOR:</b>								
Passed through Berrien Intermediate Schools:								
Perkins III - Tech Prep	84.243		22,913	-	-	22,913	22,913	-
			22,913	-	-	22,913		-
<b>TOTAL U.S. DEPARTMENT OF LABOR</b>			<b>22,913</b>	<b>-</b>	<b>-</b>	<b>22,913</b>	<b>22,913</b>	<b>-</b>
<b>U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES:</b>								
Passed through Michigan Dept. of Human Services:								
Medical Assistance Programs Title XI	93.778		63,398	466	-	17,332	19,019	1,653
Medicaid Transportation Reimbursement	93.778			(47,815)	-	64,875	33,488	(79,202)
Medicaid - Administrative Outreach			63,398	(47,349)	-	82,707	52,507	(77,549)

**LEWIS CASS INTERMEDIATE SCHOOL DISTRICT, CARO, MICHIGAN**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ <u>PROGRAM TITLE</u>	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE 6/30/2007	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE 6/30/2008
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES: Passed through Michigan DHS: Wraparound Program Wraparound Program	93.556	WRAP05-14001-3	\$ 63,150	\$ 11,660	\$ 47,743	\$ 27,035	\$ 15,375	-
	93.556	WRAP08-14001-1	63,166	-	-	43,653	48,348	\$ 4,695
			126,316	11,660	47,743	70,688	63,723	4,695
Family Reunification Family Reunification	93.558	FR04-11001-4	202,053	36,165	137,282	87,793	51,628	-
	93.558	FR08-11001-1	252,296	-	-	150,076	158,216	8,140
			454,349	36,165	137,282	237,869	209,844	8,140
TOTAL U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			644,063	476	185,025	391,264	326,074	(64,714)
TOTAL FEDERAL ASSISTANCE			\$ 6,921,102	\$ 578,451	\$ 3,812,356	\$ 2,989,562	\$ 2,792,811	\$ 381,700

**LEWIS CASS INTERMEDIATE SCHOOL DISTRICT**

**Schedule of Expenditures of Federal Awards**

**Provided to Subrecipients**

**Year Ended June 30, 2008**

84.048 Vocational Education Basic Grant 073520/7012-19

Van Buren Intermediate School District	\$ 182,104
Berrien Intermediate School District	385,357
Cassopolis	2,743
Dowagiac	686
Edwardsburg	3,343
Marcellus	800
	<hr/>
	\$ 575,033

93.778 Medicaid - Administrative Outreach

Cassopolis	\$ 4,448
Dowagiac	12,607
Edwardsburg	4,190
Marcellus	4,800
	<hr/>
	\$ 26,045

The accompanying notes are an integral part of this schedule.

**LEWIS CASS INTERMEDIATE SCHOOL DISTRICT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Lewis Cass Intermediate School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

1. Vocational Education – Basic Grants To States, CFDA 84.048 was audited as a major program and represents 25% of expenditures.
2. The threshold for distinguishing Type A and B programs was \$300,000.
3. Expenditures on this schedule reconcile with amounts reported in the financial statements and financial reports submitted to the Michigan Department of Education.
4. Management has utilized the R7120, Grant Section Auditors' Report, in preparing the schedule of expenditures of federal awards.
5. The amounts reported on the Receipt Entitlement Balance Report agree with this schedule for USDA donated food commodities.

**NOTE 3 – RECONCILIATION OF FEDERAL REVENUE**

The current year expenditures on the Schedule of Expenditures of Federal Awards agrees to the federal revenue reported in the financial statements, as follows:

Federal revenue per financial statements	<u>\$2,792,811</u>
Federal expenditures per Schedule of Federal Awards	<u>\$2,792,811</u>

**LEWIS CASS INTERMEDIATE SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**Section I – Summary of Auditor's Results**

***Financial Statements***

Type of auditor's report issued:

*Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified:        Yes      X   No
- Significant deficiency(ies) that are not considered to be material weakness?   X   Yes           No

Noncompliance material to financial statements noted?

       Yes      X   No

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified:        Yes      X   No
- Significant deficiency(ies) that are not considered to be material weakness?        Yes      X   None reported

Type of auditor's report issued on compliance for major programs:

*Unqualified*

Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133?

       Yes      X   No

Identification of major programs:

**CFDA Number(s)**  
84.048

**Name of Federal Program or Cluster**  
Vocational Education – Basic Grant

Dollar threshold used to distinguish between type A and Type B Programs:

\$300,000

Auditee qualified as low-risk auditee?

  X   Yes           No



**LEWIS CASS INTERMEDIATE SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Section II – Financial Statement Findings**

**Finding 2008-1** Considered a Significant Deficiency

**Criteria:**

Statement on Auditing Standards #112 titled *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2006), requires us to communicate in writing when a client has a small staff that limits the segregation of duties.

**Condition:**

Due to the limited number of staff, many critical duties are combined and given to the available staff and/or board members.

**Context:**

Internal controls are weakened due to the lack of segregation of duties.

**Effect:**

Other staff members and/or board members must be utilized in order to achieve good internal controls.

**Cause:**

The district doesn't have enough staff in the business office to have a proper segregation of duties.

**Recommendation:**

At this time, we recommend the district segregate the duties whenever possible and communicate this as required by professional standards. The correct process meets the definition of a significant deficiency as defined in Statement on Auditing Standards #112.

**Section III – Federal Award Findings and Questioned Costs**

None

**LEWIS CASS INTERMEDIATE SCHOOL DISTRICT**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

There were no audit findings required to be reported on this schedule for the year ended June 30, 2007.



# ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

## Certified Public Accountants

---

Gary R. Anderson, CPA  
Jerry J. Bernhardt, CPA  
Thomas B. Doran, CPA  
Valerie J. Hartel, CPA  
Terry L. Haske, CPA  
Jamie L. Peasley, CPA  
Timothy Franzel

Robert L. Tuckey, CPA

August 22, 2008

Members of the Board  
Lewis Cass Intermediate School District

In planning and performing our audit of the financial statements of the Lewis Cass Intermediate School District as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated August 22, 2008 on the financial statements of Lewis Cass Intermediate School District. Our comments are summarized as follows:

### Current Year Comments

#### Month-end procedures checklist

During the recently completed audit, we were required by new professional auditing standards to review, inspect, test and gain a further understanding of the District's internal controls. The increased emphasis on documentation of procedures performed will continue into the future. We have provided District personnel with a month-end procedures checklist which can be customized further for your District. The purpose of this checklist is to provide District personnel with a centralized list of required month-end procedures, as well as, a place to document who completed the procedure and who reviewed the procedure performed.

We recommend the District consider implementing this checklist on a monthly basis to improve documentation of required month-end procedures and clearly document when and by whom the procedure was performed and reviewed.

#### Uninsured bank deposits

During recent months, we have all heard the numerous issues involving the banking industry. Currently, it is our understanding; there are limits to FDIC insured balances. Generally, the limits are \$100,000 per depositor, per bank. Districts may also request certain funds be collateralized by the bank. There are other options regarding investing surplus funds from investment pools and treasury investments to commercial paper.

We are not investment advisors; however, we encourage you to meet with your investment representatives to review all of your options regarding surplus funds. We also recommend you review the District's investment policy to ensure it continues to satisfy the District's goals.

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Members of the Board  
August 22, 2008  
Page two

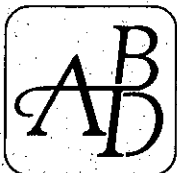
This communication is intended solely for the information and use of management and others within the governmental unit and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to be of service to the Lewis Cass Intermediate School District and look forward each year to continuing our relationship. The cooperation extended to us by your staff throughout the audit was greatly appreciated. Should you wish to discuss any item included in this letter further, we would be happy to do so.

Very truly yours,

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

Anderson, Tuckey, Bernhardt & Doran, P.C.  
Certified Public Accountants



# ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants

---

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Robert L. Tuckey, CPA

August 22, 2008

To the Members of the Board  
Lewis Cass Intermediate School District

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Lewis Cass Intermediate School District for the year ended June 30, 2008, and have issued our report thereon dated August 22, 2008. Professional standards require that we provide you with the following information related to our audit.

#### Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated August 4, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered Lewis Cass Intermediate School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirement that could have a direct effect on a major federal program in order to determine our auditing procedure for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Lewis Cass Intermediate School District's financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Lewis Cass Intermediate School District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Lewis Cass Intermediate School District's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Lewis Cass Intermediate School District's compliance with those requirements.

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#### Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on August 4, 2008.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Lewis Cass Intermediate School District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Estimates have been used in calculating the liability for employee compensated absences. The estimated liability is approximately \$155,000. We evaluated the key factors and assumptions used to develop estimate of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. We did not identify any significant disclosures.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated August 22, 2008.

Members of the Board  
August 22, 2008  
Page three

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Members of the Board and management of the Lewis Cass Intermediate School District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Anderson, Tuckey, Bernhardt, & Doran, P.C.  
Certified Public Accountants